PUBLIC RECORD

Australian Government
Anti-Dumping Commission

INVESTIGATION 341

ALLEGED DUMPING OF A4 COPY PAPER

EXPORTED FROM THE FEDERATIVE REPUBLIC OF BRAZIL, THE PEOPLE'S REPUBLIC OF CHINA, THE REPUBLIC OF INDONESIA AND THE KINGDOM OF THAILAND

AND

ALLEGED SUBSIDISATION OF A4 COPY PAPER

EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA AND THE REPUBLIC OF INDONESIA

VERIFICATION VISIT REPORT - IMPORTER

PAPER FORCE (OCEANIA) PTY LTD

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

September 2016

CONTENTS

CONTENTS 2
1 BACKGROUND 3
2 AUSTRALIAN SALES 4
2.1 VERIFICATION OF SALES TO AUDITED FINANCIAL STATEMENTS 4
2.2 VERIFICATION OF SALES TO SOURCE DOCUMENTS 4
2.3 RELATED PARTY CUSTOMERS 4
3 IMPORTS 5
3.1 THE GOODS 5
3.2 VERIFICATION OF IMPORTATION AND SELLING COSTS 5
3.3 IMPORT LISTING 5
3.4 FORWARD ORDERS 6
3.5 THE IMPORTER 6
3.6 THE EXPORTER 6
3.7 PROFITABILITY OF IMPORTS 6
3.8 RELATED PARTY SUPPLIERS 6
3.9 ARMS LENGTH 6
4 RECOMMENDATIONS 8
5 GENERAL COMMENTS 9
6 ATTACHMENTS 10

1 BACKGROUND

On 12 April 2016, the Anti-Dumping Commissioner (the Commissioner) initiated an investigation into the alleged dumping of A4 copy paper ('the goods') exported to Australia from the Federative Republic of Brazil, the People's Republic of China (China), the Republic of Indonesia (Indonesia) and the Kingdom of Thailand. Public notification of the initiation of the investigation was published on the Commission's website. The background relating to the initiation of this investigation is contained in Consideration Report No. 341.

Following the initiation, the Anti-Dumping Commission (the Commission) wrote to Paper Force (Oceania) Pty Ltd (Paper Force) and other importers of the goods inviting them to cooperate with the investigation. Paper Force cooperated with the investigation and completed the importer questionnaire and relevant attachments.

The Commission visited Paper Force to verify the information submitted. A representative from Paper Force's Indonesian supplier (Sinar Mas Group) was also present at the verification.

2 AUSTRALIAN SALES

2.1 Verification of sales to audited financial statements

The verification team verified the completeness and relevance of Paper Force's sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

2.1.1 Exception 1

The sales listing originally submitted by Paper Force at Part C to its response to the importer questionnaire (RIQ) included two transactions that were not the goods (A3 size copy paper instead of A4) and omitted sales of one product from one of the three exporters (representing 3.6% of sales by volume). Subsequent to the visit, Paper Force submitted a revised sales listing for the goods, which the verification team reconciled to the total sales listing and general ledger, both of which verified to Paper Force's 2015 audited financial statements with an immaterial 0.05% variance.

2.1.2 Exception 2

Paper Force's total sales revenue in its audited financial statements includes [redacted] commission earnt on sales of products exported directly from Paper Force's suppliers to its customers. For these 'agency sales' Paper Force does not take title of the goods but takes a commission. The verification team verified the agency sales listing and commission paid to the audited financial statements and also verified that none of the agency sales were applicable to the goods exported from Indonesia to Australia. [redacted]

2.2 Verification of sales to source documents

The verification team verified the accuracy of Paper Force's sales listing by reconciling it to source documents in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team did not find any issues with the verification of the sales listing to source documents.

2.3 Related party customers

The verification team did not evidence that Paper Force is related to any of its customers during the investigation period.

3 IMPORTS

3.1 The goods

Paper Force confirmed that it imported A4 copy paper from Indonesia during the investigation period, which matches the description of the goods that are the subject of this application. Paper Force imported from three Indonesian mills, which are all part of the Asia Pulp and Paper Group, which is a business division of the Sinar Mas Group:

- PT Indah Kiat Pulp & Paper Tbk (Indah Kiat);
- PT Pindo Deli Pulp and Paper Mills (Pindo Deli); and
- PT Pabrik Kertas Tjiwi Kimia Tbk (Tjiwi Kimia).

Paper Force imported 80 gsm A4 copy paper and a very small quantity of 70 gsm paper during the investigation period. The sales listing submitted with the RIQ also identified the thickness, brightness and whiteness of each product sold (it also incorrectly identified all products as 100% recycled).

Paper Force stated that the substance weight of paper (gsm) is the key determinant of price, but whiteness can also generate a premium.

3.2 Verification of importation and selling costs

The visit team verified the accuracy of the importation and selling costs by reconciling selected imports to the source documents in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

3.2.1 Exception 1

Paper Force submitted a calculation of its selling, general and administrative (SG&A) expenses with its RIQ. In verifying this to Paper Force's audited financial statements, the verification team identified a slight difference in operating expenses that resulted in a total SG&A around 2% higher than submitted by Paper Force. The verification team used this higher figure to calculate the profitability of imports at section 3.7 below.

3.3 Import listing

Paper Force confirmed that the import listing extracted from the ABF import database is a complete list of imports of the goods over the investigation period. While the goods are shipped directly from Indonesia to Australia, Paper Force purchases the goods from an intermediary/trader located in a third country.

The verification team calculated the weighted average FOB export price by supplier at **Confidential Appendix 2**.

3.4 Forward orders

The verification team verified Paper Force's forward orders by reconciling the listing provided in the importer questionnaire response to the company's records. The verified list of forward orders is at **Confidential Appendix 3**.

3.5 The importer

The visit team considers Paper Force to be the beneficial owner of the goods at the time of importation and therefore the importer.

3.6 The exporter

Subject to further inquiries, the verification team considers that the three Indonesian mills named at section 3.1 are the exporters of the goods[1].

3.7 Profitability of imports

The verification team calculated profit for the nine selected shipments. The verification team found that six of these were profitable.

In relation to the three unprofitable shipments, Paper Force explained that this was due to the Australian dollar (AUD) falling at the time (Q1 2015):

- all three sales were from the one exporter for the same customer;
- the sales were based on a price agreed in 2014 for a fixed AUD price for Q1 2015; and
- Paper Force was unsuccessful in negotiating revised pricing with the exporter.

The verification team noted that the selected shipments were profitable overall on a weighted average basis. The assessment is at **Confidential Appendix 4**.

3.8 Related party suppliers

The verification team did not evidence that Paper Force is legally related to its suppliers of the goods exported from Indonesia during the investigation period, [redacted].

3.9 Arms length

In respect of imports of the goods to Australia by Paper Force during the investigation period, the verification team found no evidence that:

[1] The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

Therefore, subject to further inquiries, the verification team are satisfied that import transactions between Paper Force and its suppliers are arms length transactions.

4 RECOMMENDATIONS

The verification team are of the opinion that, for the goods imported by Paper Force from the three Indonesian exporters, the goods have been exported to Australia otherwise than by the importer. However, the goods have been purchased from an intermediary, not from the exporters/manufacturers in Indonesia.

Subject to further inquiries in relation to these shipments, the verification team recommends that the export price for A4 copy paper imported by Paper Force from Indonesia can be established under s.269TAB(1)(c) of the *Customs Act 1901*.

5 GENERAL COMMENTS

Paper Force provided comments around the Australian market and the actions of the Australian industry and importers from other countries in the market. Details of these discussions are contained within the verification work program at **Confidential Attachment 1**.

6 ATTACHMENTS

Confidential Appendix 1	Into-store costs (included in Confidential Attachment 1)
Confidential Appendix 2	Export price (included in Confidential Attachment 1)
Confidential Appendix 3	Forward orders (included in Confidential Attachment 1)
Confidential Appendix 4	Profitability of sales (included in Confidential Attachment 1)
Confidential Attachment 1	Verification work program